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Soviet/Egyptian Economic Relations

Soviet-Egyptian economic relations have remained essentially unchanged despite the pre-war ouster of Soviet forces, the temporary postwar arms embargo, and other political maneuvers. Barring some major political upheaval no change is likely in the immediate future.

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For the next several years Moscow probably will continue to be a major supplier of arms to Egypt. Cairo's postwar efforts to diversify arms procurement have only been partially successful. The Egyptian military still must rely on Moscow for spares to maintain its present arms inventory, for replacement of certain major pieces of equipment, and for easy credit terms.

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[REDACTED]

[REDACTED] The USSR is unlikely to terminate its relationship [REDACTED] Such a move would rob Moscow of its principal lever in Middle Eastern affairs and eliminate any hope of eventual repayment. The probable outlook is for Moscow to continue to supply arms on old contracts while endeavoring to exact political concessions and some repayment in exchange for larger and longer term agreements.

It is also in the interest of both countries to continue a substantial portion of present bi-lateral trade. In the future, as in the past, Egypt will need the USSR as a buffer market for surplus cotton, an arrangement that thus far has effectively placed a floor under extra long staple cotton prices in the West. In recent years Cairo has also supplied the USSR with large quantities of exotic and out of season agricultural produce and with increasing quantities of manufactured goods, some of it produced in Soviet built factories. Most of these goods would be difficult to sell in the West, but Egyptian food and consumer goods, in particular, find a ready market in poorly stocked Soviet stores. The USSR's interest in continuing this trade has almost certainly been enhanced by the prospect that increased

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[REDACTED]

postwar Egyptian procurement in the West will reduce the chronic Egyptian deficit that previously characterized bi-lateral transactions with Moscow.

The lack-luster Soviet economic aid program that has prevailed in Egypt since completion of the Aswan High Dam probably also will continue. Over the last several years Soviet supported development projects have progressed steadily [REDACTED]

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25X1 [REDACTED] Recently

signed agreements to further expand the Helwan steel mill and to increase the size of the newly installed aluminum plant indicate Soviet willingness to continue at least a modest economic aid program. Since Egyptian preference for Western goods and services probably will assure little acceleration in Soviet aid utilization [REDACTED]

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25X1 [REDACTED] The Egyptians, however,

may use further aid negotiations with the USSR to prod other prospective donors and investors. Cases in point are the recently announced request for a Soviet nuclear generator, also requested from the US, and alleged discussions of a Soviet iron and steel complex in Alexandria, now under negotiation with Brazilian, Japanese and West German groups.

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CIA/OER
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MEMORANDUM FOR: The Record

In response to a request from
NEA/Egypt the attached comments on
Soviet/Egyptian Economic Relations
were prepared by [REDACTED]
for inclusion in briefing papers
being assembled at State for
Secretary [REDACTED]

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4 November 1974
(DATE)

FORM NO. 101 REPLACES FORM 10-101
1 AUG 54 WHICH MAY BE USED.

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